

Gray Davis, Governor State of California

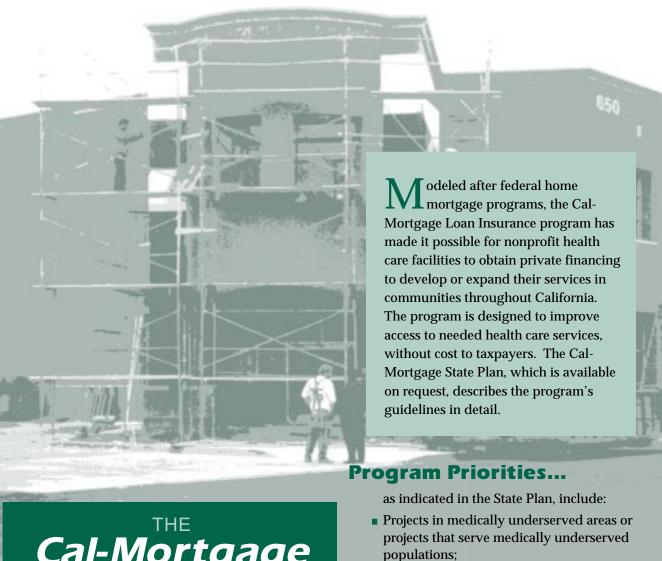
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Cal-Mortgage PROGRAM

California's Health Facility Construction Loan Insurance Program

- Projects that promote access to primary care services:
- Projects that provide services to keep people with special needs functioning optimally in a community-based environment; and
- Projects that provide innovative solutions to health care delivery problems, such as projects that promote the development of efficient health care networks in rural areas.

Eligible Health Facilities...

must be owned and managed by private nonprofit public benefit corporations or political subdivisions such as cities, counties, health care districts or joint powers authorities. Health facilities eligible for Cal-Mortgage Loan Insurance include:

- Hospitals, of any type;
- Skilled nursing facilities;
- Intermediate care facilities:
- Multi-level facilities for the elderly operated in conjunction with, or a part of, a nursing home or general acute hospital;
- Public health centers;
- Clinics and other outpatient facilities;
- Laboratories:
- Community mental health centers;
- Facilities for the treatment of chemical dependency;
- Facilities for the developmentally disabled;
- Child day care facilities in conjunction with a health facility;
- Adult day health centers;
- Community care facilities providing health care services:
- Group homes:
- Accredited nonprofit work activity programs; and
- Offices and central service facilities operated in connection with a health facility.

Loans may be insured to finance the construction of new facilities, the acquisition of existing buildings, or facility expansion, modernization, and renovation. As well, loan guarantees are available for the financing of fixed or moveable equipment needed to operate the facility.

Cal-Mortgage Loan Insurance Program

Maximum Insurance Coverage...

for most loans may be up to 90% of the total allowable "construction" cost. Loans in the amount of \$5,000,000 or less may be insured up to 95% of the total construction cost. Political subdivisions may apply for loan insurance coverage for the total construction costs. Community mental health facilities and facilities for the developmentally disabled may qualify for 100% insurance coverage if the project totals \$300,000 or less.

The Loan...

may be interim or long-term. Long-term loans may not exceed 25 years. A combination of a State insured loan with public or private grants is permissible. Interest rates are established by the market at the time of the loan. Loans may be taxable or tax exempt.

Fees & Charges...

- An application fee of \$500;
- An inspection and certification fee of up to four-tenths of one percent (0.4%) of the loan to be insured; and
- An annual premium of one half of one percent (0.5%) of the average amount of the principal obligation of the loan during the year in which the charge is made.

Pre-Application Assistance...

is available from the Cal-Mortgage Loan Insurance Division, including consultation with potential applicants prior to making a formal application. When submitting a pre-application, the following items are required:

- The full name of the applicant, contact person, address and telephone number;
- A statement indicating whether the applicant is a California nonprofit public benefit corporation with an IRS 501(c)(3) designation, a city, a county, a joint powers entity, a health care district, or another entity;
- A brief narrative describing the applicant's organization and its history and outlining the scope of the project, particularly the specific health care services to be rendered upon the completion of the project;
- An estimate of project costs with a breakdown of major items and a list of the projected source of funds to cover the costs;
- Audited financial statements of the applicant's organization for the prior three years, if available, and the latest available unaudited financial statement; and
- A copy of all current license(s) to operate the facilities.

The Cal-Mortgage Process...

for obtaining loan guarantee includes several steps as described in the Cal-Mortgage Application Package (available on request). To begin, Cal-Mortgage staff conduct a preliminary review of the pre-application to assess eligibility and community need for the proposed project. After submission of a formal application, staff determine whether the applicant is eligible for the program and then assess the financial feasibility of the project. Among other things, Cal-Mortgage must be assured that:

- The applicant is a California nonprofit public benefit corporation that qualifies as a 501(c)(3) corporation under the Internal Revenue Code or a political subdivision, i.e., city, county, health care district, or joint powers authority;
- The applicant is within the identified categories of "health facility;"
- The applicant meets the guiding principles and priorities established in the Cal-Mortgage State Plan;
- The applicant meets all necessary licensing requirements;
- The applicant is sufficiently experienced to operate the type of facility requesting insurance;
- The applicant has the financial capacity to provide its share of the costs;
- The net income of the project, when completed, will be adequate to continue operations, service its debt, and provide reasonable reserves for depreciation and equipment replacement;
- The applicant has such interest in the land and improvements as to guarantee rights of occupancy and continued operations of the facility;
- The facilities are free of environmental hazards; and
- There are no conflicts of interest.

The proposal is then reviewed by the Advisory Loan Insurance Committee, a pro bono citizen advisory committee with experts in the field of health facility construction, financing, and operations. If the Committee recommends approval of the proposal and the Director of OSHPD concurs, then a conditional letter of commitment to insure a loan for the project is issued. This enables the health facility to secure the needed financing, either from financial institutions or by issuing bonds. Once the financing is completed, Cal-Mortgage staff monitor the financial performance of the insured health facilities in order to assure that timely debt service payments are made.

